



Cap Tables – 102

determining who owns what

DOYENNE
BE AUDACIOUS

WIPFLI

Learning Objectives:

At the end of this session all participants will be able to create a pro-forma cap table for a start up business, and be able to use cap tables to model various investment scenarios to assess ownership, dilution, exit strategies, etc

Agenda:

- Quick Review of Terminology
- Build a cap table for a business that is considering outside funding and use that cap table to model dilutive impacts of funding scenarios

Terminology Review

- Cap Table (Summary vs Detailed)
- Pro-Forma Cap Table
- Common Stock
- Preferred Stock
- Restricted Stock
- Convertible Debt (discounts and valuation cap)
- Options and Option Pool (issued and authorized)
- Common Stock Equivalents (CSE)

Advanced Topics:

- Warrants
- Participating and non-participating preferred

Sample Company – Pro Forma Capitalization Table

		Startup Formation		First Angel Round			Second Angel Round			First VC Round		
		Pre-Money Valuation:	N/A	Pre-Money Valuation:	\$1,000,000	Pre-Money Valuation:	\$2,000,000	Pre-Money Valuation:	\$6,000,000			
		Investment Amount:	None	Investment Amount:	\$200,000	Investment Amount:	\$500,000	Investment Amount:	\$2,000,000			
		Post-Money Valuation:	N/A	Post-Money Valuation:	\$1,200,000	Post-Money Valuation:	\$2,500,000	Post-Money Valuation:	\$8,000,000			
		Shares Outstanding:	None	Shares Outstanding:	2,500,000	Shares Outstanding:	3,000,000	Shares Outstanding:	4,500,000			
		Price Per Share:	\$0.001	Price Per Share:	\$0.40	Price Per Share:	\$0.67	Price Per Share:	\$1.33			
Shareholders	Stock Type	Founders' Shares	Fully-Diluted Stock %	Shares This Round	Total Post-Round Shares	Fully-Diluted Stock %	Shares This Round	Total Post-Round Shares	Fully-Diluted Stock %	Share This Round	Total Post-Round Shares	Fully-Diluted Stock %
Startup Formation												
Founder A	Common	1,000,000	40.0%		1,000,000	33.3%		1,000,000	26.7%		1,000,000	16.7%
Founder B	Common	1,000,000	40.0%		1,000,000	33.3%		1,000,000	26.7%		1,000,000	16.7%
Seed Round												
Independent Angel	Common			500,000	500,000	16.7%		500,000	13.3%		500,000	8.3%
Angle Round												
Angel Group	Preferred						750,000	750,000	20.0%		750,000	12.5%
First VC Round												
VC #1	Preferred									1,500,000	1,500,000	25.0%
Pre-Money Options												
Option Pool	Common	500,000	20.0%		500,000	16.7%		500,000	13%	750,000	1,250,000	20.8%
Totals		2,500,000	100%		3,000,000	100%		3,750,000	100%		6,000,000	100%

750,000

Case Study

Women Owned CPG company

- Chicago based
- 2 founders
- Gross Sales 2020: approximately \$200K

They just gained nationwide exposure/distribution. Needs capital for operations, marketing, working capital (inventory, etc)

Goal:

- Raise \$300K convertible debt
- Maintain capability for a series A (priced round) in next 12-24 months
- Has key employees and advisory board that she wants to incentivize with options or restricted shares

Additional Resources

- Cap Table Article with Links to Templates
<https://www.cooleygo.com/what-is-a-cap-table/>
- Cap Table Templates
<http://1x1media.com/downloads/>
- Cap Table Online Providers
Carta, Captable.io, Gust

Your presenters



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